Benefits of the 184A Loan Guarantee Program

The purpose of the HUD Section 184A Native Hawaiian Housing Loan Guarantee Program is to encourage and facilitate the investment of private sector capital to finance mortgage loans for single-family homes on Hawaiian Home Lands. HUD-approved Section 184A Lenders invest private capital to finance the homes and HUD assumes the credit and collateral risks associated with the guaranteed transactions.

Benefits associated with the HUD Section 184A program include:

- Available for single-family owner-occupied homes on Hawaiian home lands.
- Low down payment of 1.25% to 2.25% based on the lower of the appraised value or cost to acquire the home.
- Uses FHA maximum mortgage limits for Hawaii subject to appraised value and down payment requirements.
- 1% financeable guarantee fee at closing (no private mortgage insurance or monthly mortgage insurance premium). Comparison to FHA Upfront Mortgage Insurance Premium:

FHA UFMIP Fee Schedule - Finance Rate

	unt:
Less than 18 years 2.4%	
18-22 years 3.0%	
23-25 years 3.6%	
Over 25 years 3.8%	

- Eligibility includes: New Construction, rehabilitation, and purchase of an existing home.
- Rehabilitation loans will be treated as purchase transactions that include improvements to an existing dwelling that exceed 25% of the outstanding balance of the loan.
- One qualifying ratio: 41% total debt to gross income ratio which can be exceeded with compensating factors.
- Single close construction (permanent) loan where only one closing is required. Monthly
 mortgage payments begin after closing. At closing the amount allocated for construction
 or rehabilitation plus a 5-10% contingency and up to 6 months mortgage payments are
 placed in an escrow account and are drawn down as the work is satisfactorily completed.
- 100% guarantee to the lender in the event of borrower default and claim to HUD.
- A strong secondary market exists: Fannie Mae, Freddie Mac, Federal Home Loan Bank of Seattle, and Ginnie Mae.
- A creditworthy borrower that meets the minimum program eligibility criteria may assume loans.